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ZNR UUUUU ZZH  
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FM AMCONSUL GUANGZHOU  
TO RUEHC/SECSTATE WASHDC 4774  
INFO RUEHOO/CHINA POSTS COLLECTIVE  
RUEAIIA/CIA WASHDC  
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UNCLAS SECTION 01 OF 03 GUANGZHOU 031565

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STATE FOR EUR/CM AND DRL

SENSITIVE  
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E.O. 12958: N/A

TAGS: [PREL](#) [PGOV](#) [SOCI](#) [CH](#) [TW](#)

SUBJECT: South China's Taiwan Scholars Concerned about Chen, but  
Believe KMT Will Win in '07 and '08

(U) This document is sensitive but unclassified, please protect accordingly.

11. SUMMARY AND COMMENT: Taiwan research centers throughout South China are concerned about Chen Shui-bian's strategy for constitutional reform and the impact it could have on cross-Strait ties. They also worry that the anti-Chen campaign could have a significant negative impact on Taiwan's economic growth as well its national well-being. While some argue the campaign may have helped the Democratic Progressive Party (DPP) in the short-term, most agree Chen will lose the Presidential election in 2008, but are unclear what a loss will mean in terms of the DPP's future. Some elements in the KMT - the old guard for instance - appear to be using the current political turmoil in Taiwan to push an agenda for improved relations with the mainland; a limited reconciliation, but not resolution of the "one China" issue. Recent visits by former KMT Party leader Lien Chan and others to South China don't necessarily signal a "back-channel diplomacy" to Beijing by current KMT officials like Ma Yingjeou, who will not want to be painted by the brush of appearing to be too eager to enter into China's embrace. China, of course, will see these visits differently and portray them as a clear sign of the desire on the part of the people of Taiwan for warmer relations. END SUMMARY AND COMMENT.

GDASS Taiwan Research Institute  
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12. (SBU) The Guangdong Academy of Social Science's (GDASS) Hong Kong, Macau and Taiwan Research Center is one of only three Guangdong-based Taiwan research institutes (the others are in Shantou and Shenzhen). The center - which was established four years ago and focuses on the province's regional economic cooperation with Hong Kong, Macau and Taiwan - has only one scholar dedicated to Taiwan political issues, Fan Haiquan. Fan, who is known for his hawkish views, told visiting Poloff that he is technically retired, and his research interests are not dictated by the Beijing Taiwan Affairs Office. However, the institute occasionally receives national- and provincial-level research assignments on certain topics, such as Hong Kong, Macau and Taiwan investment. Additionally, the institute sometimes approaches municipal and county leaders with research proposals on strategies to increase Taiwan investment.

Anti-Chen Protests Helpful to DPP  
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13. (SBU) In a meeting with Poloff on October 16, Fan criticized U.S. military support of Taiwan, which he says emboldens Taiwan with a false sense of support. He believes that U.S. policy is shifting towards supporting mainland China's views, but that the process is

"too slow." Regarding Taiwan's domestic politics, Fan argued that the anti-Chen Suibian protests over the past few months have actually helped the Democratic Progressive Party (DPP). He cited a recent Kaohsiung poll showing that Kuomintang (KMT) popularity had decreased by four percent, while DPP popularity had increased in the past few months. Polls generally showed Chen's popularity slightly increasing, with the KMT's Ma Ying-jeou's popularity slightly decreasing.

...But DPP has Reached its Peak  
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14. (SBU) In a recent article, Fan criticized the political parties in Taiwan, calling the major parties "five ghosts" that are not able to represent the people's will. He concluded that Taiwan's democratic situation is not as "mature" as in the West, and that the current situation hinders the growth of democracy. Fan said that the KMT's control of the Legislative Yuan (LY), recent mayoral and county-level electoral success, and the downturn in the economy all have seriously damaged the DPP's prestige and that the upcoming elections do not look good for the DPP.

KMT Will Win in 2006, 2007, and 2008  
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15. (SBU) Fan believes the KMT will win all three of the major elections -- the 2006 Taipei and Kaohsiung mayoral elections, the 2007 legislative elections, and the 2008 Presidential election. In the LY, he believes the KMT will likely gain 70 seats and the DPP will get between 30 and 40 seats; the People First Party will still be the third major party, followed by the Taiwan Solidarity Union. Because of the proximity of the 2007 legislative elections to the 2008 Presidential election, Fan said the overall winner of 2007 elections will likely win the Presidential election as well.

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FASS Taiwan Research Institute  
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16. (SBU) The Fujian Academy of Social Science's (FASS) Taiwan Research Institute, founded in the 1970's as mainland China's first Taiwan research institute, has 12 scholars working on Taiwan political, economic, and trade relations, as well as general social developments. Taiwan is a theme that engages officials and scholars on an everyday basis, with some seeing the three links as a key to future economic development; 80,000-100,000 Taiwan citizens already live in Fujian. In July, FASS scholars told Poloff they were "very concerned about the future of Taiwan before 2008," specifically citing Chen Shui-bian's "striding toward independence." The scholars believe that Chen will not be re-elected, because the majority of Taiwan people want him to step down. The scholars stated that the Taiwan people are "tired of corruption and six years of a presidency with no major accomplishment." One scholar noted that he had recently met with the former chairman of mainland affairs from Taiwan, who said the DPP is facing its "biggest crisis since its establishment."

17. (SBU) The institute also focuses on the development of the "Western Taiwan Straits Economic Zone" and the expansion of the "three links." One scholar mentioned that in a July conference in Taiwan on sustainable development, virtually all of the Taiwan officials, academics, and entrepreneurs recommended that there be fewer economic restrictions across the straits. As for the Chinese military threat toward Taiwan, one scholar reaffirmed China's commitment to peaceful development, and said that the Sino-Russian joint air and amphibious exercise in the summer of 2005, which many interpreted as a demonstration of China's capabilities, was primarily an anti-terrorism exercise.

Xiamen University's Taiwan Research Institute  
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18. (U) In 1983, Fujian Province created a second Taiwan research institute at Xiamen University (previously the institute had focused only on Taiwan's culture and literature). Xiamen University's

Taiwan Research Institute, which the consulate has visited many times, is regarded as South China's premier think tank on Taiwan. Recent articles from the institute's spring edition of the "Taiwan Research Quarterly" focused on the dangers of Chen Shui-bian's constitutional reforms. In one article, scholar Li Peng concluded that Taiwan's economic depression and political and social unrest are all connected with the constitutional debates in Taiwan. Li argued that the debate on reforming the constitution has "given rise to a different orientation of Taiwan's self-understanding." Consequently, Li wrote, a "chaos" of national identity has fallen on the Taiwan people, faith in the constitutional order has been lost, and relations between mainland China and Taiwan have worsened. Another of the Institute's scholars, Zhang Wensheng, argued that Chen's goal since 2000 has been "de jure Taiwan Independence through Constitutional Reform." Due to objections from the Taiwan public, mainland China, and the international community, however, Zhang suggested that Chen believed it was now impossible to complete constitutional reform, as he would be forced to amend the constitution, and under the current circumstances, that was not possible.

#### Recent Taiwan Visitors to South China

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19. (U) Lien Chan, former Chairman of the KMT, and an entourage of 17 other KMT leaders recently have been traveling across South China as part of a 16-day mainland trip. In April 2005, Lien led the first delegation of top KMT leaders to the mainland since 1949. During their visit to Guangzhou on October 12, 2006, the group visited Huanghuagang, a Martyr Grave for soldiers who died during a failed coup against the Qing Dynasty Government. Although Lien does not represent the current KMT leadership, the provincial leadership in Guangzhou gave him a warm welcome, with meetings with Guangdong Party Secretary Zhang Dejiang and Guangzhou Party Secretary Zhu Xiaodan to discuss Taiwan investment in the province. The South China Morning Post reported that during his discussions, Lien blamed Chen Shuibian for creating "lots of obstacles to cross-strait relations," and that his policies have put Taiwan on "the way of recession" because of closed-door economic policies. Lien's group also traveled to Hainan Province where, on October 16, Lien delivered the opening address for a 400-person cross-strait agricultural forum between the KMT and the Chinese Communist Party (CCP). Lien said that he hoped the forum would allow Taiwan's farmers to sell more of their products to the vast mainland market, and that mainland farmers could learn from the technological

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advances of Taiwan.

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